

The Federal Flyer

House Appropriations Committee Passes FY 2004 Transportation Bill *Controversial Legislation Increases Highway, Transit Funds; Cuts Amtrak*

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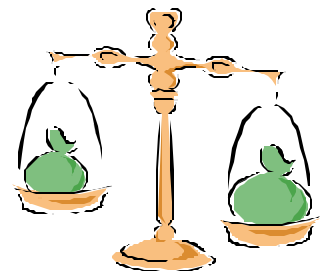
- ♦ House Committee Passes FY 2004 Transportation/Treasury Bill
- ♦ Update on TEA 21 Reauthorization Efforts

On July 24, 2003 the House Committee on Appropriations passed the last of the 13 annual appropriations bills for FY 2004—the Departments of Transportation and Treasury and Independent Agencies Appropriations Bill. The full committee made key changes to the proposal sent forward by the subcommittee earlier in the month, resulting in a compromise measure that still faces opposition when it reaches the House floor in September.

Key Funding Provisions. For FY 2004, in the absence of a reauthorization proposal for federal highways and transit programs, the House Appropriations Committee decided to assume a similar program structure as is currently authorized for these programs.

The subcommittee had originally proposed a highway funding level of \$34.1 billion, some \$2.3 billion above the FY 2003 obligation level. Due to budgetary constraints and the need to increase funding for other transportation programs, the full committee reduced that amount to \$33.8 billion, still an increase of \$2 billion over last year's funding level. Texas' share of this final committee highway obligation level would be about \$2.3 billion for FY 2004, an increase of some \$200 million over our FY 2003 spending level.

The committee also provided \$752.2 million in federal highway discretionary earmarks targeted to selected projects across the nation. Texas earmarks in these categories total \$51.77 million or 6.88% of the total highway discretionary earmarks included the House committee bill. Compared to Texas' FY 2002 share of contributions to the Highway Account of the Highway Trust Fund (8.48%), these earmark amounts represent a 81% rate of return for Texas. In the FY 2003 House bill, Texas highway earmarks totaled \$34.4 million and represented a 70% ROR on the state's gas tax contributions. See the tables on the following pages for Texas FY 2004 House committee project earmark information.



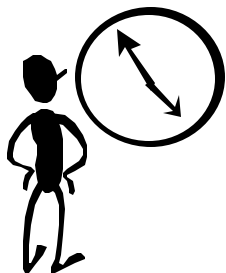
For transit, the full committee markup resulted in a somewhat higher number than had been proposed by the subcommittee. The final committee spending level for transit is set at \$7.23 billion, an increase of \$52 million over the FY 2003 level. In addition, the full committee earmarked the New Starts and Bus Capital programs, fulfilling the Full Funding Grant Agreement amounts for new starts and adding others. See the tables on the following pages for Texas FY 2004 House committee project earmark information.

The House committee would fund improvement projects at the nation's airports through a \$3.4 billion Airport Improvement Program. This level is the same as provided in FY 2003.

Amtrak Funding Controversy Continues. At the subcommittee level, the bill would have severely reduced federal funding for Amtrak, the nation's passenger rail corporation. The subcommittee proposed to provide Amtrak with only \$580 million for FY 2004, a reduction below the Bush Administration's \$900 million request and the \$1.8 billion that Amtrak says that it needs to continue operations this year. This proposed funding level elicited strong cries of opposition in the full committee and throughout the Congress. As a result, the full committee bill would provide \$900 million for Amtrak. Despite this improvement over the subcommittee funding level, members pledged to tackle this issue when the bill reaches the House floor in September, hoping to increase the funding level for Amtrak to a level closer to the \$1.8 billion Amtrak has requested.

Bill Reflects Merger of Two Previous Subcommittees into One. This year's appropriations subcommittees were reorganized to allow for the creation of a new Homeland Security Subcommittee while still retaining only 13 subcommittees. As a result of this shifting of jurisdictions, the previous Transportation Subcommittee was merged with the Treasury/Postal Subcommittee to create the new Transportation/Treasury Subcommittee. This shuffling of subcommittees moved the Transportation Security Administration and Coast Guard portions of the former Transportation Subcommittee to the new Homeland Security Subcommittee. The new Transportation/Treasury Subcommittee now handles transportation, the Treasury Department (including the IRS), the General Services Administration, the U.S. Postal Service, the White House, and the Office of Personnel Management. Transportation programs make up the largest portion of the spending handled by the new subcommittee.

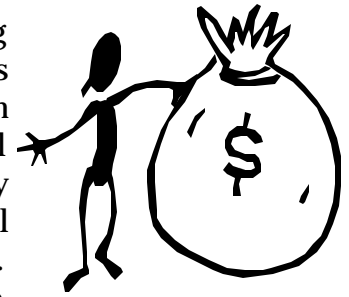
Authorizers Make Little Progress on TEA 21 Reauthorization Efforts *Delays Due to Difficulty in Finding Viable Funding for Program Increases*



Fewer than six weeks remain before TEA 21 expires on September 30, 2003, yet neither the House Transportation and Infrastructure Committee nor the Senate Environment and Public Works or Banking Committees have introduced legislation to reauthorize the federal surface transportation programs. The only authorizing committee that has completed work on a portion of the components of the TEA 21 reauthorization is the Senate Commerce, Science, and Transportation Committee, which on June 26, 2003 passed the Surface Transportation Safety Authorization Act of 2003 covering the nation's motor carrier and highway safety programs. In addition, neither the House Ways and Means Committee nor the Senate Finance Committee has scheduled markup for the tax code and revenue reauthorization provisions necessary to keep the funding sources for the federal highways and transit programs going beyond their current authorization.

This doesn't mean, however, that these committees have not been working toward a prompt reauthorization of the federal surface transportation programs. In fact, much discussion has been ongoing about the programs, flexibility provisions, and possible financing to support the nation's highways and transit systems. Much of the program structure and policy changes for the reauthorization has been developed by the committee staff. The sticking point is the frustration that the committees have had in finding a funding plan that will allow them to present a multi-year TEA 21 reauthorization with significant increases in program funding.

Various Funding Options Being Debated. Among the options being considered for providing additional federal revenues for the nation's highways and transit programs are a few that have already been generally accepted in Congress. They include elimination of the ethanol tax subsidy's negative effect on the Highway Trust Fund, effectively providing that ethanol fuels are taxed at the same rate as gasoline and all taxes are deposited to the Highway Account of the Highway Trust Fund. This proposal would provide an estimated \$700 million annually to the Highway Account. The subsidy to the ethanol producers would be replaced with a payment or tax rebate from the General Fund. In addition, a generally accepted proposal would redirect the current 2.5¢ per gallon of the currently collected ethanol fuels tax that is now deposited in the General Fund back to the Highway Account. This proposal would increase revenues to the Highway Account by some \$400 million a year.



Is It Time for a Gas Tax Increase? Beyond these “easy” options, the challenge for finding additional revenues grows more difficult. The American Road and Transportation Builders Association has called on Congress to enact a 12¢ per gallon gas tax increase over the expected 6-year life of the reauthorization bill. Republicans in Congress (with the exception of House Transportation & Infrastructure Committee leaders) and in the White House have expressed strong opposition to increasing taxes of any kind, even user fees like the gas tax that the American public has generally supported. Also under consideration is indexing the gas tax to help the revenues keep up with inflation. Many consider this proposal an outright gas tax increase, but it appears that resistance to this option is fading in light of the tremendous challenge of finding sufficient resources to enact an increased funding program in the reauthorization.

What About Federal Transportation Bonds? Various bonding options being floated would provide a new mechanism for financing federal-aid surface transportation programs. RIDE 21 by the House Transportation and Infrastructure Committee would create some \$60 billion in federal tax exempt bonds for high-speed and freight rail improvements. In addition, the leaders of the Senate Finance Committee, **Chairman Charles Grassley** (R—Iowa) and **Max Baucus** (D—Montana), have floated a proposal to shift all but one-half cent from the existing 2.86 cents of federal excise tax on gas now attributed to the Mass Transit Account of the Highway Trust Fund to create a new federal tax credit bond to cover transit costs. The tax shift would supplement the proposal's \$13 billion in bonds for highway and transit. Finance Committee staff have projected that this plan would increase highway funding by 40 percent and increase transit funding by 100 percent. However, this proposal has received broad opposition, especially from the transit community, which sees the shift of gas tax revenues as undermining the current commitment to an 80/20 proportional federal investment in highways and transit programs.

The Build America Bonds Act of 2003, introduced by **Senators Jim Talent** (R-Missouri) and **Ron Wyden** (D-Oregon), would raise \$50 billion for transportation infrastructure improvements through the one-time issuance of tax credit bonds. The bond proceeds would be available for use on all modes of transportation projects. The bond purchasers would receive an annual tax credit rather than an interest payment and the bond's principal would be repaid by a sinking fund established with a portion of the total initial bond issue.

In response to a request for comment on these proposals, on July 24 **U.S. Treasury Secretary John Snow** wrote to **Senate Budget Committee Chairman Don Nickles** (R-OK) indicating that he would recommend a veto for any bill creating federal transportation bonds.

Texas Project Earmarks—House FY 2004 Committee Bill

Highway Discretionary Project Earmarks	
ITS Deployment	
Houston, TX ITS	\$1,700,000
Integration and Implementation of DYNASMART-X, RHODES, and CLAIRE in Houston	\$500,000
ITS Technologies San Antonio	\$320,000
Laredo Signal Integration Project	\$1,750,000
Multi-Region ATIS for the IH-20 Corridor - Phase 1	\$1,000,000
Regional ITS Architecture & Deployment Plan for Eagle Pass Region and Integrate with Laredo	\$300,000
Rural Freeway Management System Implementation for the IG-20 Corridor in the Tyler Region - Phase 1	\$300,000
Interstate Maintenance	
I-35 East/I-635 Interchange	\$800,000
IH 30 from FM 989 to US 59/71 in Texarkana	\$3,000,000
IH 30 Interchange Improvement Project	\$2,000,000
IH35/SH45 Interchange at Round Rock	\$250,000
Right of Way Project on IH 35, from FM 2063 in Hewitt to South Loop 340/SH 6 Interchange	\$1,500,000
Widening Interstate 35 East between FM 2181 and Lake Lewisville	\$250,000
Bridge Replacement and Rehabilitation	
I-35 Trinity River Bridge	\$1,000,000
SH 332 at Brazos River, Brazoria County	\$6,000,000
Federal Lands Highways	
IH-20 - Dyess AFB Access	\$2,500,000
Tank Destroyer Blvd., Fort Hood	\$2,000,000
National Corridor Planning and Border Infrastructure Programs	
Donna-Rio Bravo International Border Crossing	\$750,000
Freight Rail Transportation Corridor and Urban Mobility Program—Harris County	\$1,000,000
Loop 201 Expansion Project	\$750,000
Loop 304 Expansion and Improvement, Crockett	\$500,000
Ports to Plains highway rehabilitation between Del Rio and Eagle Pass	\$1,000,000
SH 158 widening in Sterling County	\$1,000,000
US 83 Anzalduas Connection Road and Structures to New International Bridge	\$500,000
West Laredo Multimodal Trade Corridor	\$2,000,000
Ferry Boats and Ferry Terminal Facilities	
Passenger Ferry, Port of Corpus Christi	\$500,000
Transportation and Community System Preservation Pilot Program	
FM 66 Ellis County from IH-35 in Waxahachie to FM 157 at Maypearl	\$750,000
Houston-Galveston Regional Congestion Study	\$750,000
Trinity River Visions Neighborhood Linkage	\$500,000
Surface Transportation Projects	
City of Fort Worth Corridor Redevelopment Program	\$1,200,000
San Antonio Economic Development Spur	\$3,000,000
Copperas Cove Reliever Route	\$1,000,000
I-69 Texas	\$7,000,000
Reflective Crack Relief Interlayer, US 59	\$3,000,000
South Orient economic rehabilitation project	\$1,000,000
Houston Main Street Corridor Revitalization Project	\$400,000
Texas Highway Discretionary Totals	\$51,770,000

Next Steps: The House of Representatives will take up the measure when it returns from its summer (August) recess in early September. The Senate Appropriations Committee has not yet considered its version of the FY 2004 Transportation/Treasury appropriations bill. The target completion date for all appropriations bills is September 30, 2003, the end of the current fiscal year.

Transit Discretionary Project Earmarks	
Buses and Bus Facilities	
Texas Bus Replacement Program, Brazos County	\$1,000,000
Capitol Metro Hybrid Electric Buses	\$500,000
Capitol Metro North Operating Facility	\$1,250,000
TX Sun Metro -Bus Replacement Program	\$1,000,000
Grapevine, TX Bus Purchase	\$325,000
Citibuses (Lubbock)	\$1,250,000
Intermodal Transit Terminal/Parking Facility, Lufkin	\$1,000,000
Vehicle Replacement, Nacogdoches	\$1,000,000
Bus Facility Project, Waco	\$1,500,000
CityLink Van and Technology Replacement (Abilene)	\$700,000
Bus and Bus Facilities, Corpus Christi	\$800,000
Ft. Worth Transportation Authority Fleet Modernization and Bus Transfer Centers	\$4,000,000
Galveston Maintenance Facility Renovations	\$800,000
Intermodal Center, Hopkins County	\$750,000
Hunt County Committee on Aging Transportation Facility	\$750,000
Bus Facility, Laredo	\$1,750,000
North Side Transfer Center Brownsville Urban System (BUS)	\$500,000
Tyler/Longview Public Transportation Management	\$500,000
VIA Metropolitan Transit Authority-New Buses and Bus Facility Modernization (San Antonio)	\$1,000,000
South East Texas Transit Facility Improvements and Bus Replacements	\$250,000
The District-Bryan Intermodal Transit Terminal/Parking & Pedestrian Improvements	\$1,250,000
The Woodlands Park and Ride Expansion	\$800,000
New Starts	
North Central Light Rail Extension	\$30,161,283
Job Access and Reverse Commute Grants	
Job Access Program, El Paso	\$200,000
CitiBus/JARC (Lubbock)	\$230,000
CityLink Public Transportation Services	\$100,000
Job Access and Reverse Commute, Corpus Christi	\$ 375,000
Galveston Job Access Reverse Commute Program	\$450,000
Metropolitan Transit Authority-Job Access Program, San Antonio	\$400,000
South East Texas Transit Facility Improvements and Bus Replacements	\$150,000
Texas Colonias JARC Initiative	\$2,400,000

Aviation Earmarks	
Terminal air traffic control facilities replacement, Abilene	\$1,760,000
Discretionary Grants	
A.L. Mangham, Jr. Regional - Improving and widening Runway 18-36; planning for installation of MALSR	Recommended
Denton Municipal Airport - Various improvements	Recommended
Galveston Scholes Int. - Reconstruction of taxiways and associated aprons; rehabilitation of runways	Recommended
Abilene Regional Airport - Aviation ramp reconstruction; runway lighting repair; terminal renovation; and taxiway extension	Recommended
McKinney Municipal Airport -Repair of runway and taxiway	Recommended
Killeen/Ft. Hood Joint Use Airport - Safety improvements	Recommended
Sugarland Regional Airport - Construct apron and taxiway	Recommended

The *Federal Flyer* is a publication of the TxDOT Legislative Affairs Office. It is intended to provide up-to-date information on major legislative activities in the 108th Congress for the management of the Texas Department of Transportation, state leaders, and others interested in Texas transportation issues. This report will also feature key activities in the national transportation community. Sources include news services and staff reports.

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